

# **Health Care Transformation Account Bill Senate File 2051**

Last Action:

**Senate Appropriations  
Committee**

January 18, 2006

**An Act relating to the medical assistance provider payment adjustments, providing for transfer, appropriation, and deposit of funds, providing an effective date, and providing for retroactive applicability.**

**Fiscal Services Division  
Legislative Services Agency**

## **NOTES ON BILLS AND AMENDMENTS (NOBA)**

Available on line at <http://www3.legis.state.ia.us/noba/index.jsp>

LSA Contact: Kerri Johannsen (14611)

## **EXECUTIVE SUMMARY NOTES ON BILLS AND AMENDMENTS**

## **SENATE FILE 2051 HEALTH CARE TRANSFORMATION ACCOUNT BILL**

### **HEALTH CARE TRANSFORMATION ACCOUNT ADJUSTMENTS**

- The bill satisfies the terms of a revised agreement with the federal Centers for Medicare and Medicaid Services (CMS) regarding implementation of HF 841 (IowaCare Medicaid Reform Act). The Bill allows a transfer from the University of Iowa Hospitals and Clinics (UIHC) to be used as a match for federal funds. (Page 1, Line 1)
- Requires the Department of Human Services (DHS) to adjust hospital payments and provide a payment of \$25.2 million to the UIHC. (Page 1, Line 19)
- Provides for a supplemental payment adjustment of \$34.4 million for physician services provided to Medicaid patients by the SUIHC. (Page 2, Line 8)
- Requires the University of Iowa to transfer \$54.6 million to the State General Fund. This total is equal to the FY 2004 and FY 2005 General Fund appropriations to the University of Iowa for the Indigent Patient Program. Of the funds transferred by the University, \$21.2 million is appropriated to the Medical Assistance account and \$33.5 million is appropriated to the Health Care Transformation Account. (Page 2, Line 34)

### **RETROACTIVE APPLICABILITY AND EFFECTIVE DATES**

- The Bill is effective on enactment. Provisions amending the 2003 and 2004 Iowa Acts are effective retroactively to May 2, 2003, and May 17, 2004, respectively. (Page 3, Line 30)

Senate File 2051

Senate File 2051 provides for the following changes to the Code of Iowa.

Page #	Line #	Bill Section	Action	Code Section	Description
1	1	1	Amends	Sec. 249J.23(1), Code Supplement 2005	Clarifies Revenues for Health Care Transformation Account
1	19	2	Amends	Sec. 86(2)(b), Chap. 1175, 2004 Iowa Acts, as amended	Supplemental Payment to University of Iowa Hospitals and Clinics
2	8	3	Amends	Sec. 11, Chap. 112, 2003 Iowa Acts, as amended	Supplemental Reimbursement to Physicians at the University of Iowa Hospitals and Clinics

1 1 Section 1. Section 249J.23, subsection 1, Code Supplement  
1 2 2005, is amended to read as follows:  
1 3 1. An account for health care transformation is created in  
1 4 the state treasury under the authority of the department.  
1 5 Moneys received ~~through the physician payment adjustment as~~  
1 6 ~~described in 2003 Iowa Acts, chapter 112, section 11,~~  
1 7 ~~subsection 1, and through the adjustment to hospital payments~~  
1 8 ~~to provide an increased base rate to offset the high costs~~  
1 9 ~~incurred for providing services to medical assistance patients~~  
1 10 ~~as described in 2004 Iowa Acts, chapter 1175, section 86,~~  
1 11 ~~subsection 2, paragraph "b", from sources including but not~~  
1 12 ~~limited to appropriations from the general fund of the state,~~  
1 13 ~~grants, and contributions~~ shall be deposited in the account.  
1 14 The account shall include a separate premiums subaccount.  
1 15 Revenue generated through payment of premiums by expansion  
1 16 population members as required pursuant to section 249J.8  
1 17 shall be deposited in the separate premiums subaccount within  
1 18 the account.

1 19 Sec. 2. 2004 Iowa Acts, chapter 1175, section 86,  
1 20 subsection 2, paragraph b, unnumbered paragraph 2, and  
1 21 subparagraphs (1), (2), and (3), as amended by 2005 Iowa Acts,  
1 22 chapter 167, section 35, are amended to read as follows:  
1 23 (1) ~~If the~~ The department of human services ~~adjusts shall~~  
1 24 ~~adjust~~ hospital payments to provide an increased base rate to  
1 25 offset the high cost incurred for providing services to  
1 26 medical assistance patients ~~on or prior to July 1 during the~~  
1 27 ~~fiscal year ending June 30, 2005, a portion of the amount~~  
1 28 ~~specified in this unnumbered paragraph equal to the increased~~  
1 29 ~~Medicaid payment shall be transferred by the university of~~  
1 30 ~~Iowa hospitals and clinics to the medical assistance fund of~~  
1 31 ~~the department of human services. Of the amount transferred,~~  
1 32 ~~an amount equal to the federal share of the payments shall be~~  
1 33 ~~transferred to the account for health care transformation~~  
1 34 ~~created in section 249J.22. The amount of the payment~~  
1 35 ~~adjustment made pursuant to this subparagraph (1) shall be~~

CODE: Clarifies revenue sources for the Health Care Transformation Account.

DETAIL: This change is necessary to allow a transfer from the University of Iowa Hospitals and Clinics (UIHC) to be used as a match for federal funds. The UIHC transfer is required in Section 4.

CODE: Requires the DHS to adjust hospital payments and provide a payment adjustment of \$25,267,077 to UIHC.

DETAIL: This change is necessary to satisfy the terms of a revised agreement with the federal Centers for Medicaid and Medicare Services (CMS) regarding implementation of the Medicaid Reform authorized during the 2005 Legislative Session in HF 841 (IowaCare Medicaid Reform Act). Medicaid reform was implemented as a result of the federal elimination of intergovernmental transfers (IGTs).

2 1 \$25,267,017.  
 2 2 (2) Any incremental increase in the base rate made  
 2 3 pursuant to subparagraph (1) shall not be used in determining  
 2 4 the university of Iowa ~~hospital~~ hospitals and clinics  
 2 5 disproportionate share rate or when determining the statewide  
 2 6 average base rate for purposes of calculating indirect medical  
 2 7 education rates.

2 8 Sec. 3. 2003 Iowa Acts, chapter 112, section 11,  
 2 9 subsection 1, as amended by 2005 Iowa Acts, chapter 167,  
 2 10 section 36, is amended to read as follows:  
 2 11 1. For the fiscal years beginning July 1, 2003, and ending  
 2 12 June 30, 2004, and beginning July 1, 2004, and ending June 30,  
 2 13 2005, the department of human services shall institute a  
 2 14 supplemental payment adjustment applicable to physician  
 2 15 services provided to medical assistance recipients at ~~publicly-~~  
 2 16 ~~owned~~ state-owned acute care teaching hospitals. The  
 2 17 adjustment shall generate supplemental payments to physicians  
 2 18 which are equal to the difference between the physician's  
 2 19 ~~charge~~ average reimbursement from nongovernmental payors and  
 2 20 the physician's fee schedule under the medical assistance  
 2 21 program. ~~To the extent of the supplemental payments, a~~  
 2 22 ~~qualifying hospital shall, after receipt of the payments,~~  
 2 23 ~~transfer to the department of human services an amount equal~~  
 2 24 ~~to the actual supplemental payments that were made in that~~  
 2 25 ~~month. The department of human services shall deposit these~~  
 2 26 ~~payments in the department's medical assistance account. The~~  
 2 27 payment adjustment amount made pursuant to this subsection  
 2 28 shall equal \$34,423,090. The department of human services  
 2 29 shall amend the medical assistance state plan as necessary to  
 2 30 implement this section. The department may adopt emergency  
 2 31 rules to implement this section. The department of human  
 2 32 services shall amend the medical assistance state plan to  
 2 33 eliminate this provision effective June 30, 2005.

CODE: Provides for a one-time payment adjustment for physician services provided to Medicaid patients by the SUIHC. As stated in the Bill, this amount is set at \$34,423,090.

DETAIL: This change is also necessary to satisfy the terms of the revised agreement with CMS.

2 34 Sec. 4. TRANSFER, APPROPRIATION, AND DEPOSIT OF FUNDS.

Requires the University of Iowa to transfer up to \$54,639,129 to the

2 35 Upon receipt of the supplemental payments described in  
 3 1 sections 1 and 2 of this Act, the university of Iowa shall  
 3 2 transfer to the general fund of the state, from whatever  
 3 3 source available, an amount equal to the appropriations made  
 3 4 pursuant to 2003 Iowa Acts, chapter 182, section 9, subsection  
 3 5 2, paragraph "b", as modified by executive orders 31 and 36,  
 3 6 and pursuant to 2004 Iowa Acts, chapter 1175, section 86,  
 3 7 subsection 2, paragraph "b", except that the total amount  
 3 8 transferred shall not exceed \$54,639,129. Of the amount  
 3 9 transferred to the general fund of the state pursuant to this  
 3 10 section, \$21,186,597 is appropriated and shall be deposited in  
 3 11 the medical assistance account of the department of human  
 3 12 services and \$33,452,532 is appropriated and shall be  
 3 13 deposited in the account for health care transformation  
 3 14 created in section 249J.23.

State General Fund upon receipt of the payment adjustments mentioned above. The total is equal to the FY 2004 and FY 2005 General Fund appropriations to the University for the Indigent Patient Program (State Papers). Of the funds transferred by the University, \$21,186,597 is appropriated and deposited in the Medical Assistance Account of the Department of Human Services and \$33,452,532 is appropriated and deposited in the Health Care Transformation Account.

DETAIL: This amount is a change from HF 841, which provided net revenues of \$38.5 million. Pursuant to HF 841 and the federal agreement, the \$33.5 million is a one-time appropriation that must be used to implement the Health Care Reform Initiatives specified in HF 841.

3 15 Sec. 5. ACTIVITIES SUBSEQUENT TO TRANSFER AND PAYMENTS.  
 3 16 Subsequent to the transfer of funds by the university of Iowa  
 3 17 to the general fund of the state pursuant to section 4 of this  
 3 18 Act, the supplemental payments made to the university of Iowa  
 3 19 hospitals and clinics and to the carver college of medicine  
 3 20 faculty practice plan by the department of human services  
 3 21 pursuant to sections 2 and 3 of this Act are irrevocable,  
 3 22 notwithstanding any subsequent decision by the centers for  
 3 23 Medicare and Medicaid services of the United States department  
 3 24 of health and human services or any other state or federal  
 3 25 agency. The department of human services is solely  
 3 26 responsible for any repayment or payment of any penalty or  
 3 27 fine assessed by any state or federal agency on any party  
 3 28 relative to the transactions pursuant to sections 2, 3, and 4  
 3 29 of this Act.

Specifies that once the transfer of funds from the University of Iowa to the General Fund is complete, the Department of Human Services is solely responsible for any fines, penalties, or repayment of funds assessed by any State or Federal authorities.

3 30 Sec. 6. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.  
 3 31 1. This Act, being deemed of immediate importance, takes  
 3 32 effect upon enactment.

Specifies that the Bill takes effect upon enactment. Also specifies that the provisions amending the 2003 and 2004 Iowa Acts are retroactive to May 2, 2003, and May 17, 2004, respectively.

3 33 2. The provision of this Act amending 2003 Iowa Acts,  
3 34 chapter 112, section 11, is retroactively applicable to May 2,  
3 35 2003.  
4 1 3. The provision of this Act amending 2004 Iowa Acts,  
4 2 chapter 1175, section 86, is retroactively applicable to May  
4 3 17, 2004.

4 4 EXPLANATION

4 5 This bill revises the mechanisms to provide funding for the  
4 6 purposes of the health care transformation account. Instead  
4 7 of requiring the university of Iowa hospitals and clinics  
4 8 (UIHC) to transfer the amount of the increase resulting from  
4 9 hospital payment adjustments during fiscal year 2004-2005 and  
4 10 from supplemental payment adjustments for physician services  
4 11 provided to medical assistance patients during fiscal years  
4 12 2003-2004 and 2004-2005 back to the department of human  
4 13 services, the department of human services will pay the UIHC  
4 14 and the carver college of medicine faculty practice plan a  
4 15 specific amount for each payment adjustment, which the UIHC  
4 16 and the carver college of medicine faculty practice plan will  
4 17 retain. Once the payment adjustment amounts are paid, the  
4 18 university of Iowa will transfer an amount equal to the  
4 19 amounts appropriated from the general fund of the state to the  
4 20 UIHC for the indigent care program for FY 2003-2004 and FY  
4 21 2004-2005, from whatever source available, not to exceed a  
4 22 total of \$54,639,129, to the general fund of the state, and  
4 23 this amount is then appropriated and is divided into specified  
4 24 amounts for deposit into the medical assistance account of the  
4 25 department of human services and into the account for health  
4 26 care transformation.  
4 27 The bill also provides that once the transfer of funds by  
4 28 the university of Iowa to the general fund of the state is  
4 29 made, the supplemental payments made to the university of Iowa  
4 30 hospitals and clinics and the carver college of medicine  
4 31 faculty practice plan by the department of human services are  
4 32 irrevocable, notwithstanding any subsequent decision by state

4 33 or federal agencies, and the department of human services is  
4 34 solely responsible for any repayment or payment of any penalty  
4 35 or fine assessed by any state or federal agency on any party  
5 1 relative to those transactions.  
5 2 The bill takes effect upon enactment and portions of the  
5 3 bill are retroactively applicable.  
5 4 LSB 5907SV 81  
5 5 pf:rj/je/5